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How to make development partnerships work

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Public-private partnerships have been criticised for underperforming on promises in recent years. But for development, well-managed alliances not only work, they can boost aid effectiveness too. Here is how.

Imagine a type of nut that could save hundreds of thousands of people in poor countries from starvation. In fact, imagine one that costs about $20 per child for a month, roughly the same as therapeutic milk, but which, unlike most other therapeutic foods, does not require preparation, is packaged, keeps fresh after opening, and can be easily transported and distributed directly to parents and children. Now, imagine that all that was needed to get that nut out to the people most in need was investment in local production, know-how and promotion.

Sounds far-fetched? Yet, such a nut exists, and thanks to a brilliantly simple initiative by the United States Agency for International Development (USAID) in partnership with Nutriset, a French food company dedicated to humanitarian nutrition solutions, it is now being used for famine relief.

We call USAID's public-private alliance initiative the Global Development Alliance (GDA). Nutriset makes Plumpy'nut, which is a high protein, high energy, peanut-based, ready-to-use therapeutic food. The nut is now being processed and packaged in local peanut producing areas such as Malawi and Niger. In other words, as well as saving people, the partnership transfers knowledge and technology, and so helps to build the capacity of governments and people in affected areas to face the challenge of malnutrition.

This is an example of public-private alliances in action. It is an agreement between two or more parties to define and address a development challenge. As with Plumpy'nut, it is an approach, not an end in itself. Much more than simply outsourcing a private contractor for a service, USAID and its alliance partners combine resources and share risks in pursuit of common objectives. In addition to cash, resources include human capital, technology and intellectual property, market access, cutting-edge business practices, policy influence, in-country networks, and other expertise. And because this partnership brings scale, effectiveness and innovation to development efforts, public-private alliances can help make aid more effective and accelerate progress towards the Millennium Development Goals.

GDA is a development assistance model that combines aid dollars with the resources, expertise and creativity of a range of players. Together, they provide a growing share of funds, human capital, and other resources for global development. These partnerships unite the unique skills and resources of each partner and apply them to problems that no one actor could solve alone.

To launch the Plumpy'nut product, GDA and a non-governmental organisation (NGO) called Project Peanut Butter (PPB) teamed up with Nutriset to establish a production facility in Malawi. Nutriset donated financing and shared its intellectual property–in short, the recipe. Being humanitarian, Nutriset did not earn a profit for its efforts, which aided 60,000 children. USAID gave $130,000 to PPB to finance the production facility and training of Malawian staff. PPB and Nutriset provided cumulative funding and in-kind resources worth $450,000. The production facility uses local raw materials and will soon have its capacity expanded.

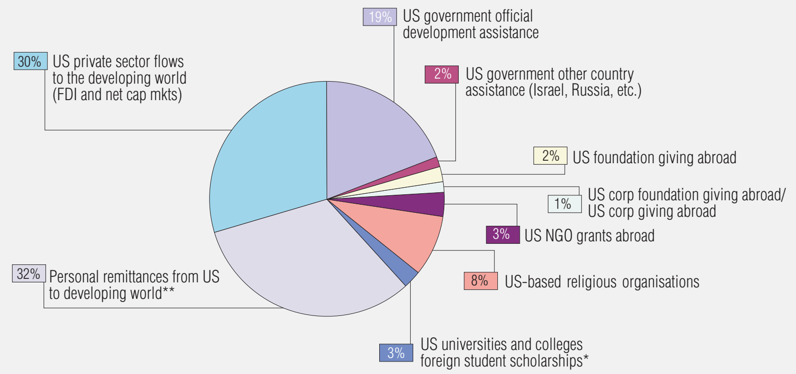
Clearly, a strategic approach not only targets the implementation of development projects but also their identification, design and funding. USAID believes this approach is applicable in every sector that it operates, including agriculture and health, but also democracy and governance.

USAID has historically worked with NGOs, foundations, for-profit companies and others. But today, through GDA, it also works with philanthropies, diasporas, and other actors. It is USAID's response to the changing environment in which we all work. In the last 30 years, resource flows from the United States to the developing world have shifted, with 85% of resource now coming from fixed capital investment, remittances, and various forms of private giving. Some 15% of resource flows from the United States to the developing world come from Official Development Assistance (ODA). In the 1970s, the breakdown was almost the opposite, with the US Federal Government then the largest source of development resources.

ODA remains essential of course, and the Bush administration has increased net ODA on a percentage basis by more than any administration since the Truman administration. The estimate for 2005 is more than $25 billion, up from $10 billion in 2000.
Still, with the private sector and civil society playing larger roles, the creation of the GDA made good sense. In the four years since the initiative was launched, USAID has leveraged more than $1.4 billion of its funds with over $4.6 billion of other partner funds through nearly 400 public-private alliances.

A fuller development picture

Total economic engagement 2004 = $99.7 billion, preliminary



*In 2002-03, 586,323 international students studied in the US, an increase of less than 1% over 2001-02. Nearly 75% of international students are self-sponsored or fully funded by sources from abroad.
**Foreign-born population was 31 million in 2000 and 33.5 million in 2003, according to the US Census Bureau.

Source: USAID 2006

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In some sectors, working with private companies is essential. In the agricultural sector, for instance, grocery stores are increasingly spreading into rural areas of developing countries, like Nicaragua. Grocery stores require that farmers meet private standards and codes, and so, act as gateways for smallholder farmers to global markets.

Apart from Plumpy'nut, there are several other examples of how successful partnerships work. The Dutch company, Royal Ahold, is one of the largest buyers of food in the world. As well as bringing its knowledge of agricultural quality, phytosanitary standards and product development to the table, Royal Ahold co-funds projects with NGOs on the ground in Ghana. Most importantly, they bring their supply chain to the development process, which is an asset USAID obviously can benefit from.

Thanks to this alliance, the company has found opportunities to encourage new businesses, such as cosmetic product lines from shea butter. USAID has contributed more than $2 million to the alliance which Royal Ahold has more than matched through cash contributions, technical expertise and so on.

Other partnerships include the Sustainable Tree Crops Program (STCP) Alliance with the Swiss company Nestle along with US, British and other buyers of global cocoa in West Africa. They all work together with smallholder farmers to improve agricultural productivity and the quality of cocoa produced in the region. USAID contributed $2.1 million to the STCP Alliance in 2002, while alliance partners contributed $7.6 million. There is also the Sustainable Forest Products Global Alliance, with the Swedish firm Ikea, Home Depot and other large buyers of forest products, for which USAID has contributed over $7.5 million since 2002, and alliance partners more than matched with over $27.5 million in funding.

In the area of governance, USAID is a partner in the Balkan Trust for Democracy, along with the German Marshall Fund, the Charles Stuart Mott Foundation, the Rockefeller Brothers Fund and the governments of Sweden, the Netherlands, and Greece. The Trust, which was set up in 2003 to fund local and regional initiatives to build peace, democracy and regional co-operation in southeastern Europe, has so far provided more than 240 grants totalling more than $6.2 million.

GDA is not the only government agency building alliances. In recent years other OECD countries have also become involved, through Germany's GTZ*, the UK's Department for International Development (DFID), and the Canadian International Development Agency (CIDA), for instance. Still, there are some valuable lessons we can share from our experiences.

First, we have found that grant mechanisms rather than budget support work best. Typically, USAID and its private partners fund the implementing organisations, usually NGOs. We find that companies, philanthropists, foundations and others all prefer to work through NGOs, with host country governments and local authorities involved as alliance partners.

A second key lesson is that partnerships can boost aid effectiveness in some sectors. In agriculture, productivity appears to have been enhanced by bringing market disciplines and expertise about cultivation and quality standards to bear. And thanks to internships and full-time job placements in partner companies, the return in terms of human capital can be substantial.

But there are lessons of warning to be drawn too. One is to realise that partners share risk, but do not make that risk disappear. Good projects have been known to come unstuck late in the process because of a sudden shortage of business funds, for instance. Nor are partnerships without cost in time and effort; indeed, they require constant attention.

Also, there are lobbies against partnerships, some seeing them as "imperialist" efforts to standardise global markets, creating losers among, for example, local farmers that do not make the cut. Such arguments tend to underestimate the mutual benefits of partnerships, for local people as well as agencies and companies. Partners should nonetheless think more about how farmers who do not meet productivity requirements in particular markets can diversify into other agribusiness, such as food processing and packaging, or even switch to other areas, such as tourism.

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There is no doubt that well-managed partnerships can evolve to everyone's benefit, but development agencies should heed some basic steps.

First, they should look at the totality of their country's economic engagement in development beyond the donor agency. Building capital investment, grants and charities, even scholarships, into the aid picture will help change mindsets about what development co-operation really means.

A second step is to strengthen the institutional aspects of public-private alliances by setting up a sort of brokerage unit, including partnership co-ordinators. After all, building partnerships takes a considerable amount of time, and requires dedicated people and resources. Such an institutional set-up will help when incorporating public-private alliances into strategic planning, and not just treating them as some adjunct to the aid process.

There are other steps to consider, too, from training sessions to raise awareness, identify skill sets and build team capacity, to targeted networking and communications, to acquire new ideas and create new partnerships.

It is also important that alliances, while learning from mistakes, showcase their successes. Too many development agents toil in anonymity and reporting on their achievements can motivate staff and agencies alike, while highlighting best practices.

As for the crucial issue of funding, remember that budget support and partnerships rarely, if ever, mix. Agencies considering partnerships must make sure that some grant money is made available to support NGO partners.

Building partnerships is hard work and, like development itself, a long battle. But it is rewarding. At GDA, as we watch partnerships evolve and development goals become clearer, we know we are moving in the right direction. Returning to the ways before Plumpy'nut would be unthinkable now. ■

*Gesselleschaft für Technische Zusammenarbeit.

References
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